

Committee on Resources,

Subcommittee on Energy & Mineral Resources

[energy](#) - - Rep. Barbara Cubin, Chairman

U.S. House of Representatives, Washington, D.C. 20515-6208 - - (202) 225-9297

Witness Statement

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Committee on Resources

Subcommittee on Energy and Mineral Resources

Field Hearing Reno, Nevada April 20, 2001

AThe Effect of Federal Mining Fees and Mining Policy Changes on State and Local Revenues and the Mining Industry@

STATEMENT OF HON. KENNY C. GUINN, GOVERNOR, STATE OF NEVADA

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to testify today regarding the effect of Federal mining fees and mining policy changes on State and local revenues and the mining industry. It is indeed entirely appropriate, and very timely, that this hearing be held in Nevada, the nation=s leading producer of hard rock minerals. We lead the United States in gold and silver production, as well as barite, magnesite, and several other mineral commodities. Mining is our second largest industry, providing with direct and indirect effects nearly 7% of my state=s gross product. Nevada was founded on mining with the discovery of the Comstock Silver Lode near Virginia City in 1859. That discovery began the settlement of Nevada, and played a major role in the admission of Nevada to the Union in 1864. Many of our communities came into existence because of mining, including such towns as Tonopah, Eureka, Ely, and Carlin. On this point, Mr. Chairman, let me be perfectly clear. Mining has made, and continues to make, a significant contribution to the history and economic development of Nevada.

It is for this reason that Nevada is highly concerned about any proposed changes in Federal mining fees or mining policy that would negatively impact our state, local communities, and mining industry. As you might expect, our concerned is heightened by the fact that over 87% of the land within our State is managed by

Federal agencies charged with administrating these fees and policies. To be completely frank, Mr. Chairman, I am deeply concerned about the economic future of many of our rural communities because of their heavy dependence on mining. In the year 2000, Nevada=s mining industry provided approximately 11,000 jobs directly related to mining, mostly in those rural communities. The average pay for those jobs was nearly \$58,000 per year, the highest average of any employment sector in our state. In addition, we estimate another 36,000 jobs were generated in these communities to provide the goods and services needed by the direct jobs supplied by the mining industry. However, in the last four years, nearly 4,000 direct jobs have been lost. When you consider that only 200,000 of our 1.9 million citizens live in rural Nevada, the magnitude of the economic impact of this 25% reduction in employment becomes clear.

Our concern also extends to another important segment of our mining industry which is the exploration for new mineral resources. Exploration is the lifeblood that sustains the mining economy of Nevada. Without exploration the jobs and economic vitality of rural Nevada are threatened. Nevada is blessed with a truly incredible mineral endowment, however, the new wealth represented by this endowment can only be realized through the efforts of the mineral industry and private enterprise. We also recognize a major portion of this resource is located on public lands, and I believe Nevada can work with our Federal partners and the mineral industry to responsibly develop these resources. But in fact, Nevada has experienced a significant reduction in exploration activity as evidenced by the decrease in the number of active mining claims from nearly 450,000 in 1991 to 105,000 in 2000. This translates into a \$45 million reduction in exploration activity per year. Other indicators, such as the closure of mineral exploration offices and decreases in drilling activity, indicate the total annual loss is more probably in the hundreds of millions of dollars. For this reason, we in Nevada can only support any changes in mining fees or policies which would result in a reversal of this trend and an increase in exploration activity.

I would like to make some brief remarks about the lawsuit filed by the State of Nevada against the United States Department of the Interior and the Bureau of Land Management concerning the 3809 mining regulations. The State of Nevada has been, and continues to be, deeply committed to effective, efficient, environmentally sound mining regulation. I believe Nevada is one of the most environmentally responsible mining regions in the world. We closely monitored BLM=s efforts to rewrite the 3809 regulations and commented extensively during the lengthy development and review process. Nevada repeatedly questioned the need for extensive reform of the existing regulations and supported the findings of the National Research Council (NRC) of the National Academy of Sciences that only selective regulatory reform was needed, combined with enhanced utilization of existing authority. Nevada recognized the revised regulations published on November 21, 2000 threatened to bring great and undue economic hardship to the State, along with major disruption of the state-federal relationship critical to effective environmental protection. By the BLM=s own estimates, the new 3809 regulations would result in the loss of up to 3,220 jobs in Nevada, total industry output in Nevada would be reduced by \$181 million to \$543 million, and Nevada citizens would lose between \$83 million and \$249 million in total personal income. When it became clear the administrative process had failed, Nevada was forced to resort to legal action. While the outcome of the legal process is yet to be determined, we have recommended that the BLM suspend the new revised regulations and reinstate the rules that were in place on January 19, 2001. Once the previous version is reinstated, the State of Nevada would be pleased to work with BLM and other stakeholders to develop selective modifications to the 3809 regulations to address the NRC recommendations.

I have stated in previous hearings of this subcommittee, and continue to believe, that reasonable mining fees and policies would benefit all stakeholders, including the states, Federal Government, and industry. Changes to the mining claim fees which would enhance opportunities for the Nevada prospector will be welcomed.

Selective reform of the 3809 regulations which would put in place a regulatory system which works in concert with state, local and other federal agencies to protect against unnecessary or undue degradation of the public lands will receive our support. Please remember, however, Nevada=s past and Nevada=s future are inextricably entwined with mining. Nevada will only support changes to Federal fees and policies as long as they have a benefit and are consistent with our goals and objectives, most notably to have a strong, well regulated, environmentally sound mining industry. Thank you.

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